

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2084 – SB 2026

March 14, 2018

SUMMARY OF ORIGINAL BILL: Enacts the Annual Coverage Assessment Act of 2018, which establishes an annual coverage assessment on hospitals of 4.52 percent of a covered hospital's annual coverage assessment base:

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$446,579,800/FY18-19/

Maintenance of Coverage Trust Fund

Increase State Expenditures - \$446,579,800/FY18-19/

Maintenance of Coverage Trust Fund

Increase Federal Expenditures - \$861,427,300/FY18-19/

Maintenance of Coverage Trust Fund

Revenue recognition in the amount of \$446,579,800 is included in the Governor's proposed FY18-19 budget (page A-36). Corresponding non-recurring appropriations in the amount of \$1,307,891,100 (\$446,579,800 in state funds and \$861,311,300 in federal matching funds) are also included.

SUMMARY OF AMENDMENT (015044): Adds language to the original bill that authorizes the Comptroller of the Treasury to audit the expenditure of funds from the maintenance coverage trust fund (MCTF). Requires the Division of TennCare and the MCTF to bear the full costs of the audit.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$446,771,000/FY18-19/

Maintenance of Coverage Trust Fund

Increase State Expenditures - \$446,771,000/FY18-19/

Maintenance of Coverage Trust Fund

Increase Federal Expenditures - \$861,680,000/FY18-19/

Maintenance of Coverage Trust Fund

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Revenue recognition in the amount of \$446,579,800 is included in the Governor's proposed FY18-19 budget (page A-36). Corresponding non-recurring appropriations in the amount of \$1,307,891,100 (\$446,579,800 in state funds and \$861,311,300 in federal matching funds) are also included.

Assumptions for the bill as amended:

- The estimated fiscal impact of the bill as amended reflects updated numbers from the Division of TennCare (Division) since the issuance of the original fiscal note.
- Based on information from the Division, the 4.52 percent annual coverage assessment on hospital net revenues (as reported to Centers for Medicaid Services) will result in an increase in revenue to the Maintenance of Coverage Trust Fund (MCTF) of \$446,771,000.
- Medicaid expenditures that are considered administrative in nature will receive federal matching funds at a rate estimated to be 50 percent state funds to 50 percent federal funds. Medicaid expenditures for the other expenses will receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds.
- Based on information provided by the Division, \$125,000 will be expended at a state rate of 50 percent and will receive federal matching funds at rate of 50 percent. The resulting increase in federal funds will be \$125,000 $[(\$125,000 / 50.0\%) \times 50.0\%]$.
- Based on information provided by the Division, \$446,646,000 (\$446,771,000 - \$125,000) will be expended at a state rate of approximately 34.142 percent and will receive federal matching funds at a rate estimated to be 65.858 percent. The resulting increase in federal funds will be approximately \$861,555,043 $[(\$446,646,000 / 34.142\%) \times 65.858\%]$.
- The Comptroller of the Treasury can accommodate the proposed legislation utilizing existing resources without an increased appropriation or reduced reversion.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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